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Summary of the doctoral thesis: „*Institutional determinants of economic development on the example of EU economies*", scientific supervisor: Ewa Gruszewska, PhD with habilitation, Professor of University of Bialystok; assistant scientific supervisor: Iwona Skrodzka, PhD with habilitation, Professor of University of Bialystok

Summary

Economic development is among the most important categories in economic theory. In the literature, one can find many analyses of this process, nevertheless, it has still not been possible to satisfactorily explain why economies with similar resource are at completely different levels, and achieve different dynamics, of development. It turns out to be necessary to go beyond the boundaries of the principles of orthodox economic theory and to search for new solutions that will enable to better explain the occurrence of notable disparities in the level, as well as dynamics, of development between modern world economies.

The subject of the study is the development of countries belonging to the European Union (EU-27), which are classified as highly developed economies. However, this is not a homogeneous population in terms of the level of development. Particular differences are noticeable between the countries of the "old" Union (EU-16) and Central and Eastern Europe (CEE-11). The reasons for this seem to have an institutional basis. The CEE-11 economies in the 1990s began a process of systemic transformation. They adopted the capitalist principles that had prevailed in the rest of the EU-27 for many years. **The research problem** is the major scale of development inequality that exists among the EU-27 economies, as well as the low rate of development of the EU post-transformation economies.

The thesis defines institutions as a set of relatively permanent norms, customs, rules, as well as principles, shaping relationships and the behavior of individuals, groups, and entities. As for the positive effect of institutions on development there is no doubt, a much more important, and at the same time more difficult, issue is to identify which of them have the strongest influence on the dynamization of this process. On the basis of an in-depth analysis of the literature, five elements of the institutional system with the greatest potential importance in the economy were selected. These were: property rights, the regulators of economic activity, which belong to the subsystem of formal institutions; the propensity to acquire knowledge, the propensity to save, and social trust, which can be categorized as informal institutions.

There is no doubt that institutions are one of the dimensions of development, but for the purposes of this thesis, the assumption was made to exclude them from the structure of this process and treat them as a factor of it. **The statistical population** consisted of 27 economies of the European Union (EU-27), while 2007 and 2019 were taken as **the research period.**

The cognitive purpose of the study is to identify the influence of the quality of institutions on the level of development among the EU-27 countries, as well as to determine the most significant group of

institutions in the development of the EU-27 go-economies. The development of statistical-econometric tools for modeling, as well as measuring development dependent on institutions is **the application purpose**. **The methodological aim** is to determine the possibility of supplementing considerations of institutions with statistical-econometric models and to develop a methodology for modeling the dependence of development on the quality of institutions.

The consequence of the subject of the study undertaken is the formulation of research questions, structuring the considerations carried out in the work. Their wording is as follows:

- What factors determine the dynamics of modern economies? Which aspects of economic development most significantly differentiate the economies of the EU-27 among themselves?
- How do institutions affect the economic processes occurring in the economy?
- What role do formal institutions play in dynamizing the development of the economy? What is the mechanism of the influence of property rights and regulators of economic activity on the economic development?
- What is the importance of informal institutions in the development process? What is the mechanism of influence of propensity to acquire knowledge, propensity to save and trust on economic development?
- The quality of which, of the proposed groups of institutions (formal or informal), more strongly determinates the level of economic development in the EU-27 countries? Has there been any change in this regard over the years analyzed?

The objectives of the work, as well as the adopted method of economic research, were subordinated to its structure. The work consists of an introduction, six chapters of a theoretical and empirical nature, a conclusion, as well as appendices organizing the sources, figures, tables, charts used in the work, as well as supplementing the quantitative analysis. Chapter one includes a conceptualization of development, as well as a critical review of theoretical findings related to this process. Chapter two reviews methods for measuring economic development, presents criteria for selecting variables for empirical analysis, and assesses the development of the EU-27 economies in 2007 and 2019 through the selected variables values. The subject of consideration in chapter three is institutions and their importance in the economy. Chapter four covers the identification of channels of influence of selected formal institutions on development, as well as the measurement of their quality in the EU-27 countries in the years under study. Chapter five attempts to identify the mechanisms of influence of selected informal institutions on development, as well as to assess their quality in the EU-27 economies in 2007 and 2019. Chapter six contains an empirical analysis of the dependence of the level of economic development on the quality of institutions, carried out with the construction of the PLS-SEM model, which provided a generalization and summary of the considerations undertaken in the dissertation.

The institutional perspective allows new insights into categories that are commonly considered strictly economic. The study of institutions broadens the field of economic research, thus allowing for a more complete explanation of processes occurring in economies. Institutions, understood in the category of universal social norms, generate a number of incentives that condition the formation and maintenance of relations occurring in the economy, as well as the course of processes in it. Therefore, it seems that the analysis of their operation can significantly contribute to understanding the nature of development itself. The impact of institutions on economic development occurs through two channels – direct, as well as indirect. On the one hand, institutions condition the level, but also the dynamics, of economic growth, the underlying dimension of development. On the other, they influence its other determinants (dimensions of development).

The importance of property rights in economic development seems undeniable. They enable transactions, create a secure environment for economic activity, improve the flow of information, and can also serve to secure transactions. In addition, exclusive, enforceable, transferable and properly secured property rights are conducive to increasing investment, improving investment attractiveness, dynamizing international exchange, improving the use and accumulation of capital, increasing the efficiency of the labor market, increasing the level of innovation of enterprises, and maintaining the quality of the environment. Only their impact on reducing social inequality remains non-obvious. On the one hand, they perpetuate the past distribution of resources, which contributes to the creation of unequal opportunities, while on the other hand, their action promotes the expansion of the state's redistributive capacity.

Regulators of economic activity also play an important role in creating conditions for development. Their occurrence, as well as their high quality, promotes the creation of an appropriate legal framework for the operation of economic units, induces entrepreneurs to act in an economically efficient manner, promotes the creation of an investment climate and contributes to the reduction of environmentally harmful activities of producers. Only their importance in innovation activities seems ambiguous. On the one hand, regulators of economic activity create an environment that enables the free realization of this activity, but on the other they can introduce a number of restrictions that contribute to its inhibition.

The propensity to acquire knowledge, the expression of which is its stock in the economy, positively affects the dimensions of development. The informal institution in question contributes to the creation of conditions conducive to the improvement of the production process (especially with regard to the induction of technical progress), is a determinant of innovative activity, determines the inflow of foreign capital, affects the state of health, and translates into an increase in social awareness, intensification of civic participation and an increase in expectations regarding various spheres of socio-economic life of members of society.

The work also observed the multichannel impact of trust on development. Social trust (both interpersonal and organizational) contributes to the creation of general conditions conducive to development (in particular, reducing transaction costs, improving the flow of information). An increase in trust results in an increase in the dynamics of investment activity of enterprises, an improvement in investment attractiveness, an intensification of pre-entrepreneurial, as well as innovative, activity of people, an increase in the efficiency of the functioning of the labor market, an improvement in the health of society, and also promotes the improvement of the functioning of other elements of the institutional system.

The constructed hierarchical PLS-SEM model of the dependence of the level of development on the quality of institutions, which was positively verified in terms substantive and statistical criteria, served to generalize the considerations carried out in the paper. Using it, it was revealed, among other things, that the quality of institutions strongly, positively and statistically significantly affects the level of economic development in the EU-27 countries, both in 2007 and 2019. In addition, it was indicated that the importance in the development of these economies had both the quality of formal and informal institutions; with the strength of the influence of the second ones being greater. The empirical analysis made it possible to conclude that of the two components of development, the economic dimension was more important than the non-economic one in formatting this category. The results of PLS-SEM modeling (the values of individual latent variables) also confirmed the existence of clear differences in both the level of development and the quality of institutions between the EU-16 and CEE-11 countries. The obtained results of the empirical analysis are in line with the conclusions formulated on the basis of the created causal sequences, as well as the cited empirical studies of other researchers. On this basis, it can be supposed that the relationship between institutions and development is not only a correlative, but also a causal.

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